

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Periodic Reporting
(Proposal Two)

Docket No. RM2021-4

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued April 7, 2021)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed March 24, 2021, the Postal Service is requested to provide written responses to the following questions.¹ Answers to each question should be provided as soon as they are developed, but no later than April 16, 2021.

1. This question refers to the supporting data on the FY2020 IOCS Mail Processing Tally analysis presented in Excel Workbook - FY2020 IOCS MP FCM Presort by Rate.xlsx filed with the Petition. Please refer to Excel file "FY2020 IOCS MP FCM Presort by Rate.xlsx," tab "data."
 - a. Please confirm that the tally counts in this tab are for direct tallies only. If not confirmed, please explain fully.
 - b. Please confirm that the dollar weights in this tab are just for direct tallies. If not confirmed, please explain fully.
 - c. Please provide unpiggybacked total First-Class Mail Presorted Letters mail processing costs by cost pool and the percentage of costs in each First-Class Mail Presorted Letters cost pool that is comprised of the direct

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Two), March 24, 2021 (Petition). These questions are the result of a Pitney Bowes Motion for Issuance of an Information Request. See Motion of Pitney Bowes Inc. for Issuance of Information Request, April 2, 2021 (Motion).

tally dollar weights in this tab.

- d. Please confirm that of the 1,242 direct tallies in cost pools categorized as Unrelated on this tab, only 155 of the tallies (12.5 percent) are matched to a rate category. If not confirmed, please provide the correct percentage and explain fully.
- e. For each cost pool categorized in this tab as Unrelated, please describe fully how costs for mixed-mail and not-handling tallies are distributed to products.
 - i. Individually for each cost pool categorized in this tab as Unrelated, please identify which cost pools are used in the distribution key to distribute mixed-mail and not-handling costs to products.
 - ii. Please also explain whether any tallies from cost pools classified as modeled/proportional are used in the distribution key for mixed-mail or not-handling costs individually for each of the cost pools categorized as Unrelated.
- f. Please provide a spreadsheet containing all In-Office Cost System (IOCS) data (*i.e.*, data for all IOCS data fields) for each tally underlying the data in this tab. In this spreadsheet, please also provide for each tally the “Pool Code,” “Pool,” “IMB Rate,” “Pool Category,” and “Dir Wgt” from Excel file “FY2020 IOCS MP FCM Presort by Rate.xlsx,” tab “data.”
- g. Please provide the most recent IOCS handbook, guides, and documentation.
- h. Please confirm that Intelligent Mail barcodes (IMbs) are only recorded for direct tallies. If not confirmed, please explain fully.
- i. Please explain fully, with references to the appropriate IOCS documentation, how the data collector determines which mailpiece and IMb to record for a direct tally.

- j. Please explain all circumstances that would result in a tally with a recorded IMb being categorized as “No IMb/No match.”
 - k. Please provide a revised version of tab “data” that separates (1) the “No IMb/No match” IMB Rate category into a “No IMb” category and a “No match” category; and (2) the “Other” IMB Rate category into its component parts.
 - l. Please provide a comprehensive description of all activities performed by Postal Service employees in each of the cost pools shown in this tab.
 - m. Please provide all data sets, programs, and associated documentation necessary to replicate the analysis in the tab “data.”
2. This question refers to the supporting data in the FY2020 IOCS Mail Processing Tally analysis presented in Excel Workbook - FY2020 IOCS MP FCM Presort by Rate.xlsx filed with the Petition. Please refer to Excel file “FY2020 IOCS MP FCM Presort by Rate.xlsx,” tabs “data” and “Tables 1-2”:
- a. Please confirm that the figures in Tables 1 and 2 exclude data for Non-Management Operating Data System (MODS) cost pools. If not confirmed, please explain fully.
 - b. Please confirm that of the 1,242 direct tallies shown in tab “data” in cost pools categorized as Unrelated, dollar weights for only 101 tallies (8.1 percent) were used in creating Table 2. If not confirmed, please provide the correct numbers and explain fully.
 - c. Please confirm that 91.9 percent of the direct tallies in cost pools categorized as Unrelated were excluded from the data used to create Table 2 because they either were (1) in Non-MODS cost pools, or (2) could not be matched to a rate category. If not confirmed, please provide the correct figure and explain fully.

3. This question refers to the supporting data on the FY2020 IOCS Mail Processing Tally analysis presented in Excel Workbook - FY2020 IOCS MP FCM Presort by Rate.xlsx filed with the Petition. Please refer to Excel file "FY2020 IOCS MP FCM Presort by Rate.xlsx," tab "Tables 1-2":
- a. What percentage of total FY 2020 unpiggybacked First-Class Mail Presorted Letters costs (including mixed mail and not-handling tally costs) in "Unrelated to Presort" cost pools do the "Total Matched" costs in the "Unrelated to Presort" row in Table 1 represent? Please provide all calculations and explain fully all reasons why unpiggybacked First-Class Mail Presorted Letters costs in "Unrelated to Presort" cost pools are excluded from this table.
 - b. Please provide all studies and analyses (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to support the Postal Service's belief that the rate category proportions in the "Unrelated to Presort" row in Table 2 are representative of the rate category proportions of total unpiggybacked First-Class Mail Presorted Letters costs in "Unrelated to Presort" cost pools.
 - c. Please provide 95 percent confidence intervals for the rate category proportions of total unpiggybacked First-Class Mail Presorted Letters costs by Cost Pool Group and all data sets, programs, and associated documentation necessary to replicate the analysis. If this information cannot be provided, please explain fully.
4. This question refers to the Excel Workbook - POBoxCost.xlsx,² which shows CRA PO Box unit cost trends (including costs in both the MODS LDC 44 and the

² See Motion, Excel file "POBoxCost.xlsx."

NONMODS D.PO BOX pool) for First-Class Mail Single-Piece Letters, First-Class Mail Presorted Letters, and USPS Marketing Mail Letters and the FY 2020 weighted average First-Class Mail Presorted Letters PO Box cost calculated from Docket No. ACR2020 USPS-FY20-10.

- a. Please confirm that the figures in Excel file “POBoxCost.xlsx” are correct. If not confirmed, please provide the correct figures and explain fully.
- b. Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to explain the substantial increases in the CRA PO Box unit costs for First-Class Mail Single-Piece Letters, First-Class Mail Presorted Letters, and USPS Marketing Mail Letters from FY 2018 to FY 2020.
- c. Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to explain why the CRA PO Box unit costs for First-Class Mail Single-Piece Letters, First-Class Mail Presorted Letters, and USPS Marketing Mail Letters more than doubled from FY 2017 to FY 2020.
- d. Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to explain why the FY 2020 CRA unit cost in the PO Box cost pool for First-Class Mail Presorted Letters is 162 percent higher than the FY 2020 weighted average modeled PO Box cost (calculated in cell N21 of Excel file “POBoxCost.xlsx” from Docket No. ACR2020 USPS-FY20-10) for First-Class Mail Presorted Letters.
- e. Page 11 of the Petition states, “Discontinuing the P.O. box component of

the First-Class letter models also improves data quality by eliminating reliance on assumed productivity figures for sorting pieces to P.O. boxes. Those assumed productivity figures date back to Docket No. MC95-1, and significantly understate actual costs for P.O. box distribution.”

Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to assess P.O. box distribution productivity.

5. Please refer to page 8 of the Petition which states, “Single-piece mail can be handled in delivery units both at origin, as the mail is collected from customers by carriers, and then again at destination, as it exits the mailstream in DPS trays. Presort mail is not inducted into the system at delivery units and is handled in delivery units only at destination. Single-piece mail is prepared for the cancellation operations on the dock in MODS 1PLATFRM operations, while presorted mail can be inducted directly into tray sorting operations.”
 - a. What percentage of Single-Piece Letter costs in each “Unrelated to Presort” Non-MODS cost pool is incurred at origin delivery units? Please provide all supporting calculations.
 - b. What percentage of Single-Piece Letter costs in the MODS 1PLATFRM operation is incurred preparing mail for cancellation operations on the dock? Please provide all supporting calculations.
6. In Order No. 1320, the Commission stated “that the established method of allocating allied/support costs to presort categories in the letter cost model is a better approximation of how those costs vary with presort level than the Postal Service’s assumption that they are entirely fixed. The Commission finds that the Postal Service’s descriptions of allied/support operations are incomplete and

inaccurate, and that the more thorough analysis of those operations by Pitney Bowes confirms that they vary substantially with presort level. Until the Postal Service explicitly models allied/support costs, the Commission will adhere to the established piggyback method of distributing those costs.”³

Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to explicitly model allied/support costs in support of Proposal Two.

7. Please provide the percentage of First-Class Mail Presorted Letters by rate category that bear a Full-Service IMb.
8. Please indicate whether the Postal Service plans to propose changes to the USPS Marketing Mail Letters mail processing cost avoidance model to conform to this requested change in methods.
9. Please indicate whether the Postal Service plans to propose changes to any other mail processing cost avoidance model to conform to this requested change in methods.
10. Please refer to page 3 of the Petition where it states: “Linking Full-Service Intelligent Mail Barcode (FSIMb) scans to mailing documentation enables a significant portion of mail processing costs for presorted First-Class Mail measured in IOCS to be identified by presort level.” Please also refer to Table 1 on page 12 of the Petition and Table 2 on page 13 of the Petition.
 - a. Please confirm that the IOCS was not designed to estimate mail processing costs by rate category. If not confirmed, please explain fully.

³ Docket No. RM2010-13, Order Resolving Technical Issues Concerning the Calculation of Workshare Discounts, April 20, 2012, at 40 (Order No. 1320).

- b. Please confirm that the analysis presented in Tables 1 and 2 is the first analysis that the Postal Service has filed with the Commission in support of a costing method proposal in which the Postal Service has used the methodology of using FSIMb scans to link IOCS tallies to mailing documentation in an attempt to identify costs by presort level. If not confirmed, please explain fully and provide all such previous analyses and corresponding Commission filings.
- c. Please provide all studies and analysis (with relevant calculations, programs, workpapers, and documentation), whether formal or informal, performed by the Postal Service or on its behalf to assess whether the rate category distribution of mail processing costs for which the Postal Service was able to use FSIMb scans to link IOCS tallies to mailing documentation are representative of mail processing costs for which the Postal Service was not able to do so.
- d. Please define “significant portion” as used in the cited sentence and indicate the percentage of mail processing costs that comprises a “significant portion.”
- e. What percentage of First-Class Mail Presorted Letters mail processing costs (including mixed-mail and not-handling tally costs and both MODS and non-MODS facilities) in “Unrelated to Presort” cost pools do the “Total Matched” tally dollar weights (\$12.161 million) in the “Unrelated to Presort” Cost Pool Group (as shown in Table 1) represent? Please provide all calculations.

11. This question refers to the supporting data presented in Excel Workbook – “Proposal Two FCM Letters Cost Model.xlsx.” Please refer to tab “CRA-PRESORT LETTERS.” Please confirm that the CRA costs in the MODS Subtotal, NDC Subtotal, and Non MODS Subtotal rows in the Modeled/Proportional and Unrelated columns are incorrect and provide a corrected version of Excel file “Proposal Two FCM Letters Cost Model.xlsx.” If not confirmed, please explain fully.

By the Chairman.

Michael Kubayanda